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**FISCAL IMPACT STATEMENT**

**LS 6204**

**BILL NUMBER: SB 272**

**NOTE PREPARED:** Dec 21, 2011

**BILL AMENDED:**

**SUBJECT:** Certified Technology Parks.

**FIRST AUTHOR:** Sen. Lanane

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill provides that the Department of State Revenue may adjust the Sales Tax base period amount or the income tax base period amount of a certified technology park if an error was made in the computation of the Sales Tax base period amount or the income tax base period amount. It provides that a change in the Sales Tax incremental amount or the income tax incremental amount resulting from an adjustment in the sales base period amount or the income tax base period amount is retroactive to the later of: (1) the date on which the incorrect sales base period amount or income tax base period amount became effective; or (2) July 1 of the state fiscal year immediately preceding the state fiscal year in which a redevelopment commission submits a petition to the Department of State Revenue seeking a correction of the Sales Tax base period amount or the income tax base period amount.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The bill would result in additional administrative tasks to the DOR receiving and considering petitions for recalculation of certified technology park (CTP) base period amounts. However, given that the DOR currently has staffing capable of determining base period amounts for CTPs, community revitalization enhancement districts, and professional sports development areas, the DOR should be able to complete the tasks required by the bill under current resource levels.

**Explanation of State Revenues:** *Summary* - The bill could potentially result in an indeterminable revenue loss to the state. The revenue loss could occur if the Department of State Revenue recalculates the base period sales and/or income tax amounts for a CTP to a lower level than is currently being used. Lowering the existing base period amounts would increase the incremental revenue amounts (the difference between

current revenue collections and the base period amounts) that a CTP could capture. The additional incremental revenue resulting from the lowered base period amounts would be revenue that would otherwise flow to the state.

The Anderson CTP (called the Flagship Enterprise Center) is expected to seek a recalculation of its base period sales and income tax amounts. The potential revenue impact from an Anderson CTP recalculation is indeterminable and would depend on: (1) the determination of the DOR relative to the petition of the local redevelopment commission, (2) the recalculated base period amounts; and (3) future growth in tax collections in the CTP. It is unknown if any of the other 19 CTPs in the state would also seek to have their base period sales and income tax amounts recalculated or the potential revenue impact of base period recalculations for these CTPs.

*Background Information* - The bill authorizes the redevelopment commission of a local unit with a CTP to petition the DOR to adjust the CTP's Sales Tax base period amount and/or income tax base period amount. The bill specifies the required contents of the petition and stipulates that the redevelopment commission has the burden of demonstrating the claim for the recalculation by a preponderance of the evidence. The bill requires the DOR to recalculate the base period amounts if the DOR, indeed, determines that the base period amounts are incorrect. The DOR also must notify the petitioning redevelopment commission, the Indiana Economic Development Corporation (IEDC), the State Budget Agency, and the Treasurer of State. The bill also provides that recalculation is retroactive to the later of: (1) the date the incorrect base period amounts became effective; or (2) July 1<sup>st</sup> of the state fiscal year immediately preceding the state fiscal year in which the petition was submitted by the redevelopment commission.

Relative to the Anderson CTP, Delco-Remy was located in this CTP when it was designated by the IEDC in 2004. The Anderson CTP captured incremental tax revenue from FY 2004 to FY 2007. However, Delco-Remy relocated from the Anderson CTP to the former Guide Corp. headquarters in Pendleton in February 2008. Consequently, the Anderson CTP's base period amounts exceeded the actual revenue collections in the CTP until FY 2011. This meant that the CTP did not have incremental Sales Tax, state Income Tax, or local option income tax revenue to capture from FY 2008 to FY 2010. However, income tax growth in the CTP was sufficient to allow the CTP to capture state and local income tax in FY 2011. The Anderson CTP now claims that their base period amount calculations were incorrect and set at too high a level.

The revenue capture amounts by year of capture for the Anderson CTP are reported in the table below. (Note: The revenue capture amounts reported in the table were distributed to the Anderson CTP in the fiscal year following the year of capture.)

Fiscal Year of Capture	Incremental Revenue Captured by the Anderson CTP			
	Sales Tax	State Income Tax	Local Option Income Tax	Total
2004	\$23,074	\$16,443	\$13,109	\$52,626
2005	390,536	161,197	47,411	599,144
2006	20,115	238,563	70,165	328,843
2007	130,482	274,785	101,024	506,291
2008-2010	0	0	0	0
2011	0	125,785	46,245	172,030
<b>Total</b>	<b>\$564,207</b>	<b>\$816,773</b>	<b>\$277,954</b>	<b>\$1,658,934</b>

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill could potentially result in an indeterminable revenue loss to local units receiving local option income tax where a CTP is located. The revenue loss could occur if the Department of State Revenue recalculates the base period sales and/or income tax amounts for a certified technology park to a lower level than is currently being used (see *Explanation of State Revenues*).

**State Agencies Affected:** DOR; IEDC; Auditor of State.

**Local Agencies Affected:** Certified Technology Parks, particularly, the Anderson CTP; local units receiving local option income tax where CTPs are located, particularly Madison County.

**Information Sources:** Department of State Revenue, CTP revenue capture data; Auditor of State, Revenue Trial Balance, FY 2004-FY 2011; LSA Fiscal Issue Brief, *Indiana's Geographically Targeted Development Programs: Certified Technology Parks*, September 27, 2010. Tom Conley, Department of State Revenue, (317) 232-2107.

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